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RUEHLM/AMEMBASSY COLOMBO PRIORITY 4694
RUEHKA/AMEMBASSY DHAKA PRIORITY 9800
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 2681
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C O N F I D E N T I A L KATHMANDU 001433

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SUBJECT: MAOIST EFFORTS TO PROMOTE A PARALLEL GOVERNMENT

REF: KATHMANDU 1375

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

A PARALLEL GOVERNMENT IN THE MAKING

¶1. (C) The Maoists have recently been taking steps to establish a parallel government in parts of Nepal. During the week of May 29, the Maoist-aligned "Interim Rupandehi District People's Council" (southwest Nepal) publicly submitted a tender for bids on a contract to collect rocks, pebbles, and sand from the Tinau river, days after the local District Development Committee (DDC) had done so. The Maoists pinned their tender notice on the DDC's door and warned contractors not to bid on the DDC's tender. The DDC tender called for minimum bids of USD 928,000 (65.9 million Nepali Rupees) while the Maoist tender minimum was listed at USD 422,000 (30 million Nepali Rupees). Bids from eligible businesses may be light: A source told the Embassy that in 2005 the Maoists extorted almost half of the contract amount from the contractor who had won this job. One potential contractor commented that this was the first time the Maoists had ever publicly called for bids. The Maoists threatened to overrule the DDC and throw out the contract, per the laws of the "People's Council," if bidding contractors did not make their proposals through the Maoist tender offer. The situation has left potential contractors confused on how to proceed with bids. One contractor asked, "How can we bid in such a situation?"

¶2. (C) An Embassy source explained that Maoists were interfering with the day-to-day administration of the B.P. Koirala Memorial Cancer Hospital in Bharatpur (south-central Nepal). Visiting parts of Rupandehi District for the first time in four years, the source reported seeing anti-King and anti-American slogans painted on the walls of Village Development Committee (VDC) offices, schools, health posts, and agriculture centers. The source noted that in Palpa District (mid-west Nepal), Maoists had demanded that secondary and college-level principals appoint at least one Maoist teacher in each school to teach "people's education."

CABINET DELAYS PROPOSAL TO REINSTATE LOCAL GOVERNMENT BODIES...

13. (U) On June 4, the Cabinet rejected Minister of Local Development Rajendra Pandey's (CPN-UML) proposal to reinstate local bodies. The Cabinet decided that, for the time being, civil servants would oversee the affairs of local bodies.

(Note: Local bodies include VDCs, DDCs, and Municipalities. End Note.) Maoist leader Prachanda had threatened to walk away from dialogue with the new GON and return to violence (reftel) if the GON reinstated the local DDC and VDC bodies. Pandey claimed that his proposal was delayed due to party politics within the seven-party alliance, as the majority of those elected to local bodies in the last election were CPN-UML. Prime Minister G.P. Koirala explained to Pandey that the Cabinet's June 4 decision was for a "short period," and that his proposal to reinstate local bodies had not been rejected.

... MINISTER FOR LOCAL DEVELOPMENT CALLS FOR DISSOLUTION OF "PEOPLE'S GOVERNMENT"

14. (U) After the Cabinet's decision to delay the reinstatement of local bodies, while speaking at an event organized by the National Federation of Village Development Committees on June 4, Minister Pandey went on the offensive, demanding that the Maoists dissolve their "people's governments" if they were so deeply opposed to the reinstatement of local bodies. Bhisma Raj Angdambe of Nepali Congress-Democratic (NC-D) reportedly asked the government to address the issue of "people's government" before reinstating local bodies.

COMMENT

15. (C) The non-communist members of the seven-party alliance opposed the proposal to reinstate local bodies because the previously elected local body representatives were predominately affiliated with the CPN-UML. The Maoists would prefer to be the only show in town, hence Prachanda's strong objection to the UML proposal that would have reinstated local government. The increase in Maoist efforts to act as a parallel government in the absence of local government is a worrisome challenge to the fragile Government of Nepal.

MORIARTY